

Message Text

CONFIDENTIAL

PAGE 01 HONG K 06639 120809Z

15

ACTION EA-13

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 EB-03 FEA-01 OMB-01 PM-03 COME-00 L-02

PRS-01 TRSE-00 DODE-00 DRC-01 /058 W

----- 122979

R 120600Z JUN 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 1096

INFO USLO PEKING

C O N F I D E N T I A L HONG KONG 6639

LIMDIS

E.O. 11652: GDS

TAGS: ENRG ETRN CH US

SUBJ: DELAY IN ARRIVAL OF CHINESE FUEL OIL FOR HONG KONG

REF: HK 3667

SUMMARY: THE ANTICIPATED ARRIVAL OF CHINESE FUEL OIL HAS BEEN DELAYED AGAIN, THIS TIME PAST EARLY JULY. WE CONTINUE TO BELIEVE, HOWEVER, THAT THE CHINESE WILL MAKE GOOD THEIR PROMISE OF FUEL OIL FOR HONG KONG, AND PROBABLY IN COOPERATION WITH ONE (EXXON) OR MORE WESTERN OIL COMPANIES. END SUMMARY

1. THE ARRIVAL HERE OF CHINESE FUEL OIL HAS BEEN ANTICIPATED SINCE FEBRUARY WHEN THE HKG ANNOUNCED ITS AGREEMENT TO PROVIDE LAND FOR CHINESE OIL FACILITIES AND CHINESE AGREEMENT TO ALLOCATE 300,000 TONS OF PETROLEUM PRODUCTS INCLUDING FUEL OIL TO THE COLONY DURING 1974 (HK 1577). THE PRESS SUBSEQUENTLY HAS REPORTED THAT THE ARRIVAL OF FUEL OIL HAS BEEN DELAYED BY LACK OF STORAGE FACILITIES HERE, THE EXCESSIVE VISCOSITY OF THE CHINESE SAMPLES PROVIDED, AND THE PRESENCE IN THE SAMPLES OF VANADIUM WHICH REPORTEDLY WAS HARMFUL TO ELECTRIC GENERATING UNITS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 HONG K 06639 120809Z

2. THE MANAGER OF SHELL OIL COMPANY WAS QUOTED AS SAYING

THAT THE SAMPLE TYPE FUEL OIL COULD NOT BE STORED WITH OTHER OIL PRODUCTS BECAUSE THE FORMER TENDS TO SEPARATE INSIDE AN OIL TANK. FEOSO, THE FIRM THAT DISTRIBUTES CHINESE OIL PRODUCTS HERE (A-14, JANUARY 18, 1974), INDICATED IN EARLY MAY THAT THE 100,000 TONS OF FUEL OIL THAT CHINA HAD PROMISED TO SUPPLY WOULD BE LOW-SULPHUR, TOP GRADE FUEL SUITABLE FOR HONG KONG, AND WOULD NOT BE OF THE TYPE FOR WHICH EARLIER SAMPLES HAD BEEN PROVIDED.

3. GOVERNMENT OFFICIALS SUBSEQUENTLY INDICATED THAT THE OIL COMPANIES WOULD SOON SOLVE THE STORAGE PROBLEM AMONG THEMSELVES, THAT TANKS WOULD BE MADE AVAILABLE FOR THE CHINESE FUEL OIL, AND THAT ESSO STORAGE FACILITIES WOULD BE AVAILABLE, ALTHOUGH NOT UNTIL JULY. AND IN EARLY JUNE THE MANAGER OF THE RAILWAY SAID THAT FEOSO AND THE RAILWAY HAD AGREED TO USE ABOUT 14 WAGONS, CAPABLE OF HANDLING ABOUT 600 TONS A TRIP PERHAPS DAILY, TO MOVE CHINESE FUEL TO THE NEW RAILWAY TERMINUS UNDER CONSTRUCTION, FROM WHICH IT COULD BE MOVED BY BARGE TO CONSUMERS AND TO STORAGE FACILITIES. THIS ARRANGEMENT WOULD BE TEMPORARY FROM JULY UNTIL THE MIDDLE OF 1975 WHEN STORAGE FACILITIES AT SHATIN WOULD BE COMPLETED.

4. AN EXXON OFFICIAL TOLD CONGENOFF JUNE 11 THAT IN FACT EXXON AND FEOSO HAD AGREED THAT EXXON WOULD TAKE 10,000 TONS OF CHINESE FUEL OIL MONTHLY, THAT EXXON WOULD MIX AND STORE IT IN A SEPARATE FACILITY ON A SMALL ISLAND ADJACENT TO TSING YI WHICH HAD HEATING CAPABILITY, AND WOULD RETURN A "SUBSTANTIAL AMOUNT" TO FEOSO FOR USE AS BUNKER FUEL. EXXON WOULD USE ITS SHARE OF THIS LOW SULPHUR FUEL OIL IN THE POWER PLANT NEAR THE AIRPORT. THE CHINESE FUEL OIL WAS DUE TO BEGIN ARRIVING IN JULY, BUT FEOSO HAD RECENTLY ADVISED EXXON THAT THIS WOULD BE DELAYED. FEOSO OFFICIALS COULD NOT EXPLAIN THE DELAY, BUT ASSUMED THAT OFFICIALS IN PEKING WERE RESPONSIBLE.

5. THE EXXON OFFICIAL SAID THAT DESPITE THESE DELAYS, AND DESPITE THE RECENT SAUDI ARABIAN AGREEMENT TO PROVIDE HONG KONG ADDITIONAL OIL SUPPLIES (HK 5884), EXXON DESIRED VERY MUCH TO OBTAIN CHINESE FUEL OIL. HE SAID
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 HONG K 06639 120809Z

THAT THERE WAS NO PROBLEM WITH VANADIUM. HE SPECULATED THAT THE OIL TO COME VIA RAIL PROBABLY WOULD BE FROM A NEARBY KWANTUNG OILFIELD (I.E. MAO MING).

6. COMMENT: UNTIL RECENTLY THE DELAYS WERE PRINCIPALLY DUE TO LACK OF STORAGE FACILITIES IN HONG KONG AND UNRESOLVED QUESTIONS ABOUT MIXING CHINESE OIL WITH OTHER GRADES. WE DO NOT KNOW WHY THE CHINESE HAVE CAUSED

THE PRESENT DELAY. WE CONTINUE TO BELIEVE, HOWEVER,
THAT THE CHINESE PROMISE OF FUEL OIL FOR HONG KONG
WILL BE MADE GOOD INITIALLY AT LEAST IN COOPERATION
WITH ONE OR MORE WESTERN OIL COMPANIES AS OUTLINED
ABOVE.

CROSS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, SUPPLIES, LAND GRANTS, PETROLEUM CONCESSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 JUN 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974HONGK06639
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740151-0176
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740653/aaaabtjh.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: HK 3667
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2002 by shawdg>; APPROVED <20 FEB 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DELAY IN ARRIVAL OF CHINESE FUEL OIL FOR HONG KONG
TAGS: ENRG, ETRN, CH, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005